SUPPLEMENTAL BRIEF FOR APPELLEE
COMMISSIONER OF PATENTS AND TRADEMARKS

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UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

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96-1258
(Serial No. 07/479,666)

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IN RE MARY E. ZURKO, THOMAS A. CASEY, JR., MORRIE GASSER, JUDITH S. HALL, CLIFFORD E. KAHN, ANDREW H. MASON, PAUL D. SAWYER, LESLIE R. KENDALL, and STEVEN P. LIPNER

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Appeal from a decision of the Board of Patent Appeals
and Interferences dated July 31, 1995.

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NANCY J. LINCK
Solicitor

ALBIN F. DROST
Deputy Solicitor

KAREN A. BUCHANAN
KENNETH R. CORSELLO
Associate Solicitors

P.O. Box 15667
Arlington, Virginia 22215
703-305-9035

Attorneys for the Commissioner
of Patents and Trademarks

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**SUPPLEMENTAL STATEMENT OF THE ISSUE**

The Court has ordered the parties to submit supplemental briefs addressed to the following issue:

> Should this court review Patent and Trademark Office fact-findings under the Administrative Procedure Act standard of review instead of the presently applied "clearly erroneous" standard?

In re Zurko, 116 F.3d 874 (Fed. Cir. 1997) (order).

## SUMMARY OF THE ARGUMENT

Board adjudications should be reviewed under the APA standard of review. Congress intended the APA to apply "across the board." The clear language of the APA and its legislative history express that intent. As defined in the APA, the PTO is an "agency" and Board adjudications constitute "agency action." Congress crafted exemptions from the APA very narrowly--"to assure the complete coverage of every form of agency power, proceeding, action, or inaction." Thus, in spite of excluding PTO from earlier bills, Congress did not exclude it or any of its functions from the statute as ultimately enacted.

Given the clear mandate of the APA, its application cannot be seriously challenged. Thus, another question must be addressed: What APA standard of review should be applied? Under the APA, there are two alternatives--the "substantial evidence" standard or the "arbitrary or capricious" standard. The "substantial evidence" standard applies to findings "reviewed on the record of an agency hearing provided by statute" and the "arbitrary or capricious" standard acts as the default standard and applies to all other agency findings. In the PTO, by statute, each appeal to the Board is "heard by at least three members of the Board," and each appeal to this Court is reviewed "on the record" before the PTO. Thus, the "substantial evidence" standard is the more appropriate standard.

In Zurko, substantial evidence supports the Board's fact-findings upon which its ultimate holding is based. Thus, the Court should affirm the Board.

## ARGUMENT

### I. Introduction

This Court should follow the clear language of the APA and apply its standard of review to Board adjudications. "A statute is by definition the law to be followed--not disregarded, effectively repealed, rewritten, or overruled (unless unconstitutional)--in the federal courts." In re Mark Indus., 751 F.2d 1219, 1224, 224 USPQ 521, 524 (Fed. Cir. 1984). Courts must apply the plain meaning of a statute "except in the 'rare case[] [in which] the literal application of a statute will produce a result demonstrably at odds with the intentions of its drafters.'" United States v. Ron Pair Enters., 489 U.S. 235, 242 (1989) (quoting Griffin v. Oceanic Contractors, 458 U.S. 564, 571 (1982)).

> [T]hat "rare case" must involve, at a minimum, some clear indication of congressional intent, either in the legislative history or in the structure of the relevant statute, that informs the specific language in question; any attempt less grounded in the words of the legislature itself to further what a court perceives to be Congress's general goal in enacting a statute is simply too susceptible to error to be tolerated within our scheme of separated powers.

Consolidated Rail v. United States, 896 F.2d 574, 578 (D.C. Cir. 1990). This case is not such a "rare case."

### II. The Clear Language of the APA Judicial Review Chapter Compels its Application to PTO Board Adjudications

The statute itself provides the starting point for analyzing the APA's application to Board adjudications. See, e.g., Ron Pair, 489 U.S. at 241. The

APA's judicial review chapter directs a reviewing court to determine whether to "hold unlawful and set aside agency action, findings, and conclusions." 5 U.S.C. § 706.[1] Under the APA's expansive definitions, the PTO is an "agency,"

[1] Section 706 states:

> To the extent necessary to decision and when presented, the reviewing court shall decide all relevant questions of law, interpret constitutional and statutory provisions, and determine the meaning or applicability of the terms of an agency action. The reviewing court shall--
>
> (1) compel agency action unlawfully withheld or unreasonably delayed; and
>
> (2) hold unlawful and set aside agency action, findings, and conclusions found to be--
>
> (A) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law;
>
> (B) contrary to constitutional right, power, privilege, or immunity;
>
> (C) in excess of statutory jurisdiction, authority, or limitations, or short of statutory right;
>
> (D) without observance of procedure required by law;
>
> (E) unsupported by substantial evidence in a case subject to sections 556 and 557 of this title or otherwise reviewed on the record of an agency hearing provided by statute; or
>
> (F) unwarranted by the facts to the extent that the facts are subject to trial de novo by the reviewing court.
>
> In making the foregoing determinations, the court shall review the whole record or those parts of it cited by a party, and due account shall be taken of the rule of prejudicial error.

5 U.S.C. § 706 (emphasis added to language relevant to this case).

§ 701(b)(1), and decisions of the Board constitute "agency action." 5 U.S.C. §§ 701(b)(2) & 551(13). Moreover, the APA does not exempt Board adjudications from the APA's judicial review chapter or from its standard of review. See 5 U.S.C. §§ 701-06.

### A. The PTO Is an "Agency" and Board Adjudications Constitute "Agency Action" Under the APA

With certain limited exceptions, "each authority of the Government of the United States" is an agency under the APA. 5 U.S.C. § 701(b)(1).[2] The PTO is

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The Administrative Procedure Act, Pub. L. No. 404, 60 Stat. 237 (1946), is codified primarily in Chapters 5 and 7 of Title 5. Pub. L. No. 89-554, 80 Stat. 378, 380-93 (1966). Chapter 5, 5 U.S.C. §§ 501-576, governs administrative procedure. Chapter 7, 5 U.S.C. §§ 701-706, governs judicial review and is derived from § 10 of the Administrative Procedure Act (hereinafter "APA § 10").

[2] "Agency" means each authority of the Government of the United States,whether or not it is within or subject to review by another agency, but does not include--

(A) the Congress;

(B) the courts of the United States;

(C) the governments of the territories or possessions of the United States;

(D) the government of the District of Columbia;

(E) agencies composed of representatives of the parties or of representatives of organizations of the parties to the disputes determined by them;

such an "authority." Section 701(b)(1) exempts neither the PTO nor any of its functions. See id. Thus, the PTO is an agency under the APA, and all of its functions fall within the ambit of the APA. Cf. Andrus v. Glover Constr., 446 U.S. 608, 616-17 (1980) ("Where Congress explicitly enumerates certain exceptions to a general prohibition, additional exceptions are not to be implied, in the absence of evidence of a contrary legislative intent."). See also 2A Norman J. Singer, SUTHERLAND STATUTES AND STATUTORY CONSTRUCTION § 47.23 (5th ed. 1992) (hereinafter "SUTHERLAND") (a list of specific exemptions should be read as exclusive).

Courts, including this one, recognize that the PTO is an "agency" under the APA. E.g., Singer Co. v. P.R. Mallory & Co., 671 F.2d 232, 236 n.7,

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> (F) courts martial and military commissions;
>
> (G) military authority exercised in the field in time of war or in occupied territory; or
>
> (H) functions conferred by sections 1738, 1739, 1743, and 1744 of title 12; chapter 2 of title 41; subchapter II of chapter 471 of title 49; or sections 1884, 1891-1902, and former section 1641(b)(2), of title 50, appendix . . . .

5 U.S.C. § 701(b)(1). See also 5 U.S.C. § 551(1) (defining agency for Chapter 5).

213 USPQ 202, 206 n.7 (7th Cir. 1982) (noting that the "Patent Office falls within the definition of an administrative 'agency' established by the Administrative Procedure Act"); Ray v. Lehman, 55 F.3d 606, 608, 34 USPQ2d 1786, 1787 (Fed. Cir. 1995) (treating the PTO as an agency under the APA for purposes of reviewing a challenge to the PTO's denial of a petition to reinstate a patent); Glaxo Operations UK v. Quigg, 894 F.2d 392, 394 n.4, 13 USPQ2d 1628, 1630 n.4 (Fed. Cir. 1990) (treating the PTO as an agency under the APA for purposes of reviewing the PTO's denial of a request for a patent term extension).

Further, Board adjudications constitute "agency action" under the APA because "'agency action' includes the whole or a part of an agency rule, order, license, sanction, relief, or the equivalent or denial thereof, or failure to act," 5 U.S.C. § 551(13),[3] and "order" includes "the whole or a part of a final disposition, whether affirmative, negative, injunctive, or declaratory in form, of an agency in a matter other than rulemaking." 5 U.S.C. § 551(6). A final disposition, in turn, is one that has "some determinate consequences for the party to the proceeding." ITT v. Local 134, Int'l Bhd. of Elec. Workers, 419 U.S. 428, 443 (1975).

> "The term 'agency action' brings together previously defined terms in order to simplify the language of the judicial-review

[3] Section 701(b)(2) provides that "agency action" and "order" have the same meaning for purposes of §§ 701-06 as is set forth in § 551.

> provisions of [APA] section 10 and to assure the complete coverage of every form of agency power, proceeding, action, or inaction. In that respect the term includes the supporting procedures, findings, conclusions, or statements or reasons or basis for the action or inaction."

FTC v. Standard Oil Co., 449 U.S. 232, 238-39 n.7 (1980) (quoting S. DOC. NO. 248, 79th Cong., 2d Sess., 255 (1946)) (emphasis added). Given its sweeping definition, "agency action" clearly includes Board adjudications.

### B. The APA Does Not Exempt Board Adjudications from the APA's Judicial Review Chapter or Its Standard of Review

Chapter 7 of the APA addresses judicial review. See 5 U.S.C. §§ 701-06 (APA § 10 as enacted). Thus, this case turns on whether chapter 7 applies to Board adjudications. Chapter 7 provides, inter alia, a form and venue for judicial review when there is no adequate statutory review proceeding provided elsewhere, § 703 (APA § 10(b)); review of agency action for which there is no other adequate remedy, § 704 (APA § 10(c)); and the scope of review for any reviewable agency action, § 706 (APA § 10(e)).

For Board adjudications, 35 U.S.C. § 141 provides judicial review (and its form and venue), satisfying the requirements of §§ 703 and 704 of the APA. However, § 141 does not provide any standard of review. Thus, § 706, the scope of review section, fills in this gap. See, e.g., 35 U.S.C. § 703 ("The form of proceeding for judicial review is the special statutory review proceeding relevant to the subject matter in a court specified by statute or, in the absence or inadequacy thereof, any applicable form of legal action.");

ICC v. Brotherhood of Locomotive Eng'rs, 482 U.S. 270, 282 (1987) ("While the Hobbs Act specifies the form of proceeding for judicial review of ICC orders, see 5 U.S.C. § 703, it is the Administrative Procedure Act (APA) that codifies the nature and attributes of judicial review.").

No specific exemption in the APA excludes Board adjudications from its judicial review chapter. Exemptions in the APA are narrowly crafted, clear from the language, and identified by specific function. See, e.g., 5 U.S.C. § 701(b)(1) (defining "agency"). The two narrow exemptions from judicial review under the APA are expressly enumerated at the beginning of the judicial review chapter and, in essence, exempt only those agency actions that are not reviewable: "This chapter applies, according to the provisions thereof, except to the extent that--(1) statutes preclude judicial review; or (2) agency action is committed to agency discretion by law." 5 U.S.C. § 701(a) (emphasis added). The first of these exemptions applies only where Congress has precluded judicial review. Heckler v. Chaney, 470 U.S. 821, 830 (1985). The second is limited to the situation in which "the statute is drawn so that a court would have no meaningful standard against which to judge the agency's exercise of discretion." Id. Thus, in essence, only truly unreviewable actions are excluded.

Board adjudications do not fall within either of the two express exemptions. Indeed, rather than precluding judicial review of Board

adjudications, Congress specifically provided appeal to this Court. 35 U.S.C. § 141. Furthermore, Board adjudications are not committed to agency discretion by law. Thus, because neither exemption applies, Board adjudications should be reviewed under the provisions of the APA's judicial review chapter.[4] See SUTHERLAND § 47.23 (a list of specific exemptions should be read as exclusive).

Furthermore, no basis exists for presuming Board adjudications are exempted. See Director, Office of Workers' Compensation Programs v. Greenwich Collieries, 512 U.S. 267, 271 (1994) (courts should "not lightly presume exemptions to the APA").

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[4] Contrast section 554 which does not apply to the extent that, inter alia, "there is involved . . . a matter subject to a subsequent trial of the law and the facts de novo in a court." 5 U.S.C. § 554(a)(1). The reason for this exception is clear--when "parties are adequately protected at the judicial stage of the proceedings [by having available a trial de novo] there is no great reason to require additional formalities in the administrative process itself." 92 Cong. Rec. 5651 (1946), reprinted in, STAFF OF SENATE COMM. ON THE JUDICIARY, ADMINISTRATIVE PROCEDURE ACT--LEGISLATIVE HISTORY 1944-46, at 360 (1946) (hereinafter "LEGISLATIVE HISTORY"). The patent statute provides such a trial under 35 U.S.C. § 145. Thus, Board adjudications are not subject to the formal adjudication requirements of § 554.

### C. The APA Standard of Review Governs Because the Patent Act Does Not Otherwise Provide a Standard

The APA standard of review governs when a standard is not otherwise provided by statute. American Paper Inst. v. American Elec. Power Serv., 461 U.S. 402, 412-13 n.7 (1983); see also Marsh v. Oregon Natural Resources Council, 490 U.S. 360, 375-77 (1989) (holding that APA provided standard of review for challenge to a statement prepared pursuant to National Environmental Policy Act where statute did not provide standard of review); Camp v. Pitts, 411 U.S. 138, 140-42 (1973) (holding that APA provided standard for reviewing denial of bank application where statute did not provide standard of review); Public Citizen, Inc. v. FAA, 988 F.2d 186, 196-97 (D.C. Cir. 1993) (holding that APA provided standard for reviewing nonfactual matters where statute only provided standard for reviewing factual matters).

In American Paper, for example, the Supreme Court held that the Federal Energy Regulatory Commission (FERC) did not exceed its authority or act arbitrarily or capriciously in promulgating rules under the Public Utilities Regulatory Policies Act of 1978 (PURPA). American Paper, 461 U.S. at 412-13 n.7. In the absence of a specific command in PURPA to employ a particular standard of review, the Court held that the standard of review for informal rulemaking was the arbitrary or capricious standard of 5 U.S.C. § 706(2)(A). Id.

Like PURPA, the Patent Act does not contain any standard of review for Board adjudications. Thus, this Court should apply § 706 of the APA. In fact, PTO actions other than Board adjudications are reviewed under § 706 of the APA. See, e.g., Ray, 55 F.3d at 608, 34 USPQ2d at 1787.

## III. The APA's Legislative History and Contemporaneous Interpretation Support Application of the APA Standard of Review to PTO Board Adjudications

The language of a statute should be regarded as conclusive absent a clear expression of legislative intent to the contrary. Consumer Prods. Safety Comm'n v. GTE Sylvania, 447 U.S. 102, 108 (1980). Accord Estate of Cowart v. Nicklos Drilling, 505 U.S. 469, 475 (1992) (clear language of a statute ends the inquiry "in all but the most extraordinary circumstance"); INS v. Cardoza-Fonseca, 480 U.S. 421, 432 n.12 (1987) (Congress is presumed to express "its intent through the language it chooses."). See also American Tobacco Co. v. Patterson, 456 U.S. 63, 75-76 (1982) ("Going behind the plain language of a statute in search of a possibly contrary congressional intent 'is a step to be taken cautiously' even under the best of circumstances.") (quoting Piper v. Chris-Craft Indus., 430 U.S. 1, 26 (1977)); Darby v. Cisneros, 509 U.S. 137, 147 (1993) ("Recourse to the legislative history of [APA] § 10(c) is unnecessary in light of the plain meaning of the statutory text"). However, even if the legislative history were considered in this case, it supports application of the APA standard of review to Board adjudications.

### A. Congress Intended the APA to Apply "Across the Board"

Congress intended the APA to have very broad application, with narrowly tailored exemptions:

> The bill is meant to be operative "across the board" in accordance with its terms, or not at all. Where one agency has been able to demonstrate that it should be exempted, all like agencies have been exempted in general terms. (See sec. 2(a)). Where one agency has shown that some particular operation should be exempted from any particular requirement, the same function in all agencies has been exempted. No agency has been favored by special treatment.

H.R. REP. NO. 78-1980, at 16 (1946), reprinted in, LEGISLATIVE HISTORY, at 250 (emphasis added). The House passed Senate Bill 7 on May 24, 1946. On that day, Representative Walter stated: "The definition of agency in section 2(a) of the bill is perfectly simple and consists of two elements: First, there are excluded legislative, judicial, and territorial authorities. Secondly, there is included any other authority regardless of its form or organization." 92 Cong. Rec. 5649 (1946), reprinted in, LEGISLATIVE HISTORY, at 354.

Congress also chose to narrowly tailor exemptions to the APA--only excluding "particular operations" from "particular requirements." Thus, for example, though "the work of the Patent Office" was to be exempted from the formal adjudication requirements in APA § 5 (now 5 U.S.C. § 554) because "judicial proceedings may be brought to try out the right to a patent," LEGISLATIVE HISTORY, at 22 (reprinting Senate Judiciary Committee Print of June

1945), see APA § 5(1) (now 5 U.S.C. § 554(a)(1)), that exemption does not extend to the judicial review provisions in APA § 10:

> "Section 10 [5 U.S.C. §§ 701-06] is applicable irrespective of whether the agency action for which review is sought was governed by the procedural provisions of sections 4, 5, 7 and 8 [5 U.S.C. §§ 553-54 & 556-57]."[5]

UNITED STATES DEPT. OF JUSTICE, ATTORNEY GENERAL'S MANUAL ON THE ADMINISTRATIVE PROCEDURE ACT 93 (1947).

### B. The Absence of Certain Exemptions Found in Earlier Unsuccessful Bills Evidences Congress's Intent Not to Include Such Exemptions in the APA

Prior to enacting the APA in 1946, Congress considered legislation governing administrative law and procedure for over a decade.[6] S. REP. NO. 79-752, at 1 (1945), reprinted in, LEGISLATIVE HISTORY, at 187. One unsuccessful proposal was the 1940 Walter-Logan bill. Id. at 3-4, reprinted in, LEGISLATIVE HISTORY, at 189-90 (discussing Senate Bill 915 and House Bill 6324). The Walter-Logan bill expressly exempted the Patent Office (and many other

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[5] The judicial review chapter does not contain a "trial de novo" exception.

[6] The APA "represents a long period of study and strife; it settles long-continued and hard-fought contentions, and enacts a formula upon which opposing social and political forces have come to rest." Wong Yang Sung v. McGrath, 339 U.S. 33, 40 (1950), quoted in Vermont Yankee Nuclear Power v. National Resources Defense Council, 435 U.S. 519, 547 (1978).

agencies) from the coverage of the bill in its entirety. S. DOC. NO. 76-145, at 24 (1940) (annotated copy of Senate Bill 915); see H.R. REP. NO. 79-1980, at 10 (1946), reprinted in, LEGISLATIVE HISTORY, at 244 (contrasting Walter-Logan bill with legislation finally enacted and stating that, because the latter "is drawn entirely upon a functional basis, it contains no exemptions of agencies as such").

Following President Roosevelt's veto of the Walter-Logan bill, in 1941, the Senate Judiciary Committee held extensive hearings on administrative procedure and considered several other bills, Senate Bills 674, 675 and 918, none of which passed. Administrative Procedure: Hearings on S. 674, S. 675, and S. 918 before a Subcomm. of the Senate Comm. on the Judiciary, 77th Cong. (1941). During the 1941 hearings, there was testimony requesting that the Patent Office be expressly excluded from certain aspects of the pending bills. See, e.g., id. at 620 (statement of Conder C. Henry, Assistant Commissioner of Patents). One concern was that the formal adjudication provisions would require changes to the well-established patent examination process.[7] See, e.g., id. See also id. at 1599 (statement of the Hooker Electrochemical Co.). For this reason, Assistant Commissioner of Patents Conder Henry "strongly recommend[ed] that any bill

[7] Under the APA, the patent examination process is not subject to the APA's formal adjudication section because the examination process is a "matter subject to a subsequent trial of the law and facts de novo in a court." 5 U.S.C. § 554(a)(1). See also 35 U.S.C. § 145 and supra note 4.

reported out of [the] committee exempt by express terms the Patent Office from its main provisions." Id. at 620. One of these bills expressly exempted "matters relating to the patent or trade-mark laws" from its formal administrative adjudication provisions. Id. at 20 (reproducing § 301 of Senate Bill 675).

Efforts to enact administrative procedure legislation continued. In 1944, the McCarran-Sumners bill (Senate Bill 2030 and House Bill 5081) was introduced. Unlike the 1940 Walter-Logan bill and the 1941 Senate Bill 675, this bill did not expressly exclude the PTO from any of its provisions but did exclude any matter subject to a trial de novo from its formal adjudication requirements. S. 2030, 78th Cong. § 9 (1944); H.R. 5091, 78th Cong. § 9 (1944). The availability of a trial de novo with all its evidentiary safeguards obviated the need to provide such safeguards at the agency level. 92 CONG. REC. 5651 (1946) , reprinted in, LEGISLATIVE HISTORY, at 359-60. The McCarran-Sumners bill also expressly "excluded any matter subject to a subsequent trial de novo or judicial review in any legislative court such as the . . . Court of Customs and Patent Appeals," 92 CONG. REC. 2163 (1946), reprinted in, LEGISLATIVE HISTORY, at 334.

While the PTO vigorously sought an exemption from the formal adjudication requirements of the APA and was ultimately exempted functionally because of the availability of a trial de novo, it did not obtain an exemption from the APA's judicial review provisions. That is clear from the

APA's language. Although the introductory language to the judicial review section of the 1944 McCarran-Sumners bill would have excluded the PTO from its judicial review chapter, the exclusionary language in the McCarran-Sumners bill was omitted from the APA judicial review section (section 10).[8] Congress's omission of the express exclusions previously included in the McCarran-Sumners bill clearly reflects its intent to include Board adjudications within the provisions in the APA's judicial review chapter. See, e.g., Burlington N. R.R. v. Brotherhood of Maintenance of Way Employees, 481 U.S. 429, 439-40 (1987) (Congress's refusal to accept amendment to exempt railroads reveals "that the railroads were to be treated no differently [by the courts] from other industries"); Tanner v. United States, 483 U.S. 107, 125 (1987) ("Thus, the legislative history demonstrates with uncommon clarity that Congress specifically understood, considered, and rejected a version of Rule 606(b) that would have allowed jurors to testify on juror conduct during deliberations, including juror intoxication."). Had Congress wanted to exclude the PTO from this chapter, it had the language to do so in the previous bill.

[8] The 1944 McCarran-Sumners bill designated its judicial review section as § 9, whereas the APA designated it as § 10 (now Chapter 7).

## IV. Board Fact-Findings Should be Reviewed Under the Substantial Evidence Standard

Under the APA, the appropriate standard of review for PTO fact-findings is found in § 706(2)(E). Section 706(2)(E) requires this Court to "hold unlawful and set aside" Board fact-findings that are unsupported by substantial evidence. 5 U.S.C. § 706(2)(E). The substantial evidence standard applies to cases "subject to sections 556 and 557 of this title or otherwise reviewed on the record of an agency hearing provided by statute." 5 U.S.C. § 706(2)(E) (emphasis added).[9] Thus § 706(2)(E) contemplates two types of agency hearings required by statute, those subject to chapter 5 and those that are not. See 92 CONG. REC. 5651, reprinted in, LEGISLATIVE HISTORY, at 359-60 (stating that the APA § 5 "applies, however, only where Congress by some other statute has prescribed that the agency shall act only upon a hearing and, even in that case, there are six exceptions." (emphasis added)).

[9] Should this Court determine that the substantial evidence standard does not apply, then the "arbitrary or capricious" standard found in § 706(2)(A) would act as the default standard. See American Paper, 461 U.S. at 412-13 n.7.

While Board decisions are not subject to §§ 556 and 557,[10] Board decisions are reviewed on the record of an agency hearing provided by statute. Section 7(b) of the Patent Act provides that "[e]ach appeal . . . shall be heard by at least three members of the Board." 35 U.S.C. § 7(b) (emphasis added). Moreover, this Court "review[s] the decision" of the Board "on the record" before the PTO. 35 U.S.C. § 144. Thus, the substantial evidence standard should be applied, based on the second clause of § 706(2)(E) ("or otherwise reviewed on the record of an agency hearing provided by statute"). See Farmers Union Cent. Exch. v. FERC, 734 F.2d 1486, 1499 n.39 (D.C. Cir. 1984) (suggesting that § 706(2)(E) applies to a hearing not conducted in accordance with §§ 556 and 557).

## V. Review of the Board's Fact-Findings in Zurko Under the Substantial Evidence Standard Requires This Court to Affirm the Board's Decision

The Court should affirm the Board's decision in Zurko because the Board's fact-findings are supported by substantial evidence. Substantial evidence is "probative evidence of a substantive nature." 92 CONG. REC. 2158 (1946), reprinted in, LEGISLATIVE HISTORY, at 321. It is "such relevant evidence as a reasonable mind might accept as adequate to support a conclusion." Consolo v.

[10] These sections are limited to hearings conducted in accordance with 5 U.S.C. §§ 553 (rulemaking) and 554 (adjudications). See 5 U.S.C. §§ 556(a) and 557(a).

Federal Maritime Comm'n, 383 U.S. 607, 619-20 (1966) (quoting Consolidated Edison Co. v. NLRB, 305 U.S. 197, 229 (1938)).

In Zurko,[11] this Court held that the Board: (1) clearly erred in finding "inherency from the prior art" because "neither UNIX nor FILER2 teaches either explicitly or implicitly communicating with a user over a trust pathway"; (2) clearly erred in finding that "UNIX, FILER2 and the record teach communicating with the user over both a trusted and an untrusted path as claimed"; and (3) failed to show that the problem Applicants' claimed invention solved "had been previously identified anywhere in the prior art." In re Zurko, 111 F.3d 887, 889-90, 42 USPQ2d 1476, 1479 (Fed. Cir. 1997) (emphasis in original).

First, the Board properly found that UNIX, when read in view of knowledge generally available in the art, implicitly teaches communicating with a user over a trusted pathway. A7-9; A12-13.[12] The Board stated that "UNIX clearly mentions both a trusted and an untrusted computing environment in its disclosure of an untrusted program and a trusted system." A9. The Board also stated that "[s]ince the prior art [UNIX] clearly indicates both a trusted and untrusted computing environment, it also implies that there are trusted and

[11] For the background of the case, see COMMISSIONER'S BRIEF AND SUPPLEMENTAL APPENDIX, at 2-5.

[12] "A" refers to the APPENDIX filed on May 16, 1996.

untrusted communication paths attendant thereto." A13. In support of this finding the Board agreed with the examiner that "it is basic knowledge that communication in trusted environments is performed over trusted paths." A8.

The record[13] supports the Board's taking of official notice that "it is basic knowledge that communication in trusted environments is performed over trusted paths." A8. See In re Ahlert, 424 F.2d 1088, 1092, 165 USPQ 418, 421 (CCPA 1970) ("Typically, it is found necessary to take [official] notice of facts which may be used to supplement or clarify the teaching of a reference disclosure, perhaps to justify or explain a particular inference to be drawn from the reference teaching."). For example, U.S. Patent No. 4,918,653, issued to Johri et al. on April 17, 1990, (filed January 28, 1988) ('653 patent), describes

[13] The record before the Board is the prosecution history file. The references discussed below--U.S. Patent No. 4,918,653, the 1983 IEEE article, the 1988 IEEE symposium paper, and the "KSOS" article--are in the record before the Board. See Universal Camera v. NLRB, 340 U.S. 474, 488 (1951) (reviewing court must "consider the whole record"). See also 5 U.S.C. § 706 ("court shall review the whole record or those parts of it cited by a party"). They were not, however, in the APPENDIX filed May 16, 1996, or the SUPPLEMENTAL APPENDIX filed July 1, 1996. See Fed. R. App. P. 30(a) ("The fact that parts of the record are not included in the appendix shall not prevent the parties or the court from relying on such parts.").

a mechanism for establishing a trusted path in an operating system such as UNIX. CA1-29.[14] The user presses the Secure Attention Key on the terminal (e.g., the "break" key) when he or she wants to communicate with the secure environment via a trusted path, and presses the exit key on the terminal (e.g., the "Control-D" key) when he or she wants to return to communicating with the unsecure environment via an untrusted path. CA15, col. 3, lines 11-18, 48-52; CA26, col. 26, lines 8-34. In addition, a 1983 IEEE article shows a "kernel-based" system (UNIX is a kernel-based system) with trusted users communicating with the kernel via trusted paths, i.e., via a "trusted subject," and untrusted users communicating with the unsecure environment via untrusted paths. Stanley R. Ames, Jr. et al., Security Kernel Design and Implementation: An Introduction, IEEE Cat No. 830700-001 (July 1983), at CA33; CA34. A 1988 IEEE symposium paper describes the "Orange Book's" trusted path as only being used for "critical functions like login and changing security level[s]."[15] IEEE Symposium on Security and Privacy, The Trusted

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[14] "CA" refers to the COMMISSIONER'S APPENDIX filed September 2, 1997, under separate cover.

[15] The DEPARTMENT OF DEFENSE TRUSTED COMPUTER SYSTEM EVALUATION CRITERIA, DOD 5200.28-STD (1985), which is known as the "Orange Book," describes system security objectives and evaluation criteria for secure computer systems. A23.

Path Between SMITE and the User (Apr. 18-21, 1988), at CA42. The paper implies that in an "Orange Book" implementation, the trusted path is not the normal interface presented to the user, and thus an untrusted path must be available for use in performing the other functions of the computer system. Also, a 1979 Ford Aerospace and Communications Corporation paper describes an operating system that emulates UNIX and contains both a secure path (i.e., trusted path) and a normal path (i.e., untrusted path). E.J. McCauley et al., KSOS: The Design of a Secure Operating System, Ford Aerospace and Communications Corp. (1979) (hereinafter "KSOS"), at CA58.

The Board also properly found that UNIX and FILER2, when read in view of knowledge generally available in the art, teach communicating with the user over both a trusted and an untrusted path as claimed. A6-7. The Board found that FILER2 teaches "displaying the command to the user for confirmation" and that in Zurko's secure environment "[i]t would have been nothing more than exercise of good common sense to prevent the execution of the command if it does not represent the user's intention and to permit execution when the command does represent the user's intention." A7; A9. Accordingly, the Board found that a person of skill in the art would have been motivated to combine UNIX and FILER2. A7. In support of this finding,

the Board relied on Zurko's description in its Information Disclosure Statement (IDS) of the UNIX reference, A95 ("Thus, the prior art includes an untrusted program parsing a command and then executing the command by calling a trusted service that executes in a trusted computing environment, namely kernel mode."), and on Zurko's description in its IDS of the FILER2 reference, A95 ("The FILER program repeats back potentially dangerous user commands and requests confirmation from the user prior to execution.").

The record also shows that the problem Zurko's claimed invention solved, minimizing the amount of trusted code in a secure computer system, was also well known to a person of ordinary skill in the art. For example, the "Orange Book" states that "as the amount of code in the [secure environment] increases, it becomes harder to be confident that the [secure environment] enforces" the security requirements of the system under all circumstances. SA4.[16] In addition, the 1979 "KSOS" article discusses minimizing the amount of trusted code "to make formal specification and eventual verification tractable." KSOS, at CA51.

The Board's fact-findings, that UNIX and FILER2 when read in view of knowledge generally available in the art disclose all the limitations of Zurko's claimed invention, are supported by such relevant evidence as a reasonable

[16] "SA" refers to the SUPPLEMENTAL APPENDIX in the back of the COMMISSIONER'S BRIEF filed on July 1, 1996.

mind might accept as adequate to support a conclusion. In turn, these fact-findings support the Board's ultimate conclusion.

## CONCLUSION

The Commissioner respectfully requests that the Court overturn its precedent and review Board adjudications under the APA's standard of review. The Commissioner further respectfully requests the Court to affirm the Board's decision in Zurko.

Respectfully submitted,


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NANCY J. LINCK
Solicitor

ALBIN F. DROST
Deputy Solicitor

KAREN A. BUCHANAN
KENNETH R. CORSELLO
Associate Solicitors

P.O. Box 15667
Arlington, Virginia 22215
703-305-9035

Attorneys for the Commissioner
of Patents and Trademarks


September 2, 1997

**CERTIFICATE OF SERVICE**

I hereby certify that on September 2, 1997, I caused two copies of the foregoing SUPPLEMENTAL BRIEF FOR APPELLEE COMMISSIONER OF PATENTS AND TRADEMARKS to be transmitted via FEDERAL EXPRESS addressed as follows:

A. Sidney Johnston, Esquire
Digital Equipment Corporation
111 Powdermill Road
MS02-3/F9
Maynard, Massachusetts 01754-1499

Thomas G. Field, Jr.
Professor of Law
Franklin Pierce Law Center
2 White Street
Concord, New Hampshire 03301

Richard H. Stern, Esquire
Ablondi, Foster, Sobin & Davidow, P.C.
1130 Connecticut Avenue, N.W.
Suite 500
Washington, D.C. 20036

_____
KENNETH R. CORSELLO
Associate Solicitor